



**COUNTY OF LOS ANGELES
DEPARTMENT OF
CONSUMER AND BUSINESS AFFAIRS**

Members of the Board

Hilda L. Solis
Mark Ridley-Thomas
Sheila Kuehl
Don Knabe
Michael D. Antonovich

Brian J. Stiger
Director

"To Enrich Lives Through Effective and Caring Service"

Date: November 10, 2015

To: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

From: Brian J. Stiger
Director

**REPORT ON LOS ANGELES COUNTY SUPPORT FOR LOCAL SMALL
BUSINESSES, DISABLED VETERAN OWNED BUSINESSES, AND SOCIAL
ENTERPRISES (ITEM NO. 6, AGENDA OF JULY 7, 2015)**

At the meeting of the Los Angeles County Board of Supervisors (Board) on July 7, 2015, your Board directed the Department of Consumer and Business Affairs (DCBA), in consultation with the Chief Executive Officer, County Counsel, Auditor-Controller, and the Directors of Internal Services, Public Works, Public Social Services, Community and Senior Services, and Military and Veterans Affairs, as appropriate, to assess a variety of options that could increase the utilization of local small businesses, social enterprises, and disabled veteran owned businesses (hereinafter collectively referred to as "Businesses"), and to report back in writing to your Board in 90 days with a report on these assessments. These options included:

- A) Increasing the total number of qualified "bid ready" certified small businesses;
- B) Implementing an independent County Small Business certification in addition to expanding reciprocal certification agreements with other public agencies;
- C) Establishing an effective tracking mechanism for all preference programs that would include tracking of dollar amounts awarded to Businesses as subcontractors to County contracts;
- D) Establishing County-wide purchasing and contracting participation goals for Businesses;

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- E) Increasing the simplified acquisition ceiling for commodity purchasing, contracting, and public works services, thereby allowing departments to more readily buy directly from Businesses;
- F) Reserving certain procurements for Businesses where applicable and legally feasible;
- G) Establishing and authorizing DCBA as the County's Small Business Advocate. DCBA would be responsible for County-wide collecting, tracking, and reporting on the utilization outcomes of these programs, assisting departments in setting utilization goals, reporting monthly to the Chief Executive Office and annually to the Board on goal progress, and serving as a resource for Businesses;
- H) Developing a multi-functioned "e-procurement" system that is easily accessible by authorized users for data input and department reporting; and
- I) Establishing liaisons for Businesses in the major purchasing and contracting departments, in order to maximize efficiency and effectively report program activity.

Your Board also directed DCBA to evaluate the timeline and resources required for implementing a County-wide procurement goal of 25% (twenty-five percent) for local small businesses and 3% (three-percent) for disabled veteran owned businesses enterprises (DVBES) with an effective target date for full implementation on July 1, 2016. Finally, DCBA was directed to report back with a recommendation on adopting a County procurement goal for social enterprises and to establish a standardized and broad-based definition of non-profit and for-profit firms categorized as "social enterprises".

Summary of Recommendations

In developing the recommendations set forth in this report, DCBA evaluated available information, met with partner agencies, and convened work groups comprised of the County departments identified in the motion. These activities formulated the assessments and ultimately led to DCBA's recommendations. These assessments and recommendations are included in Attachment I.

Through the assessments of the abovementioned options and deliverables, DCBA proposes 22 recommendations to potentially increase the utilization of Businesses:

- 1) Develop a refreshed marketing plan, which will include a rebranding of the County's small business program;
- 2) Implement utilization programs which would offer more incentives for local small businesses to certify with the County.

- 3) Partner with Small Business Liaisons to coordinate outreach events and include County procurement staff to meet and connect with small businesses;
- 4) Coordinate a quarterly "Vendor Information Day" to provide prospective vendors with workshops and tutorials on: (a) conducting business with the County, (b) types of contracts and solicitation methods, (c) locating bid opportunities on the County's website, (d) entering effective business information that will result in the LSBE receiving appropriate bid notifications and opportunities from the County, and (e) educating businesses on how to locate bid requirements;
- 5) Authorize DCBA to contract with a consultant to study the State's definition of small business and its alignment to County procurement needs;
- 6) DCBA to work with ISD to develop certification processes that integrate with the County's vendor certification software for DVBES and social enterprises;
- 7) Establish a work group, comprised of DCBA, ISD, and DPW to develop proposed policies and procedures to identify the Business status of subcontractors;
- 8) Conduct a two-year pilot program to capture subcontract dollars using third party software;
- 9) Establish a work group led by DCBA as the County Small Business Advocate, and comprised of representatives from DPW and ISD to determine the specifics of a four-year action plan to attain your Board's utilization goals by the year 2020;
- 10) Establish a work group to develop a process by which future County contracts are evaluated for their applicability to programs for Businesses to determine the County's total available expenditure for these programs;
- 11) Establish a work group comprised of DCBA, Auditor-Controller (A-C) and ISD to propose a revision to County policies related to increasing the County's delegated authority ceiling to \$10,000 for eligible departments based on past compliance with procurement policies and procedures;
- 12) Establish a work group led by DCBA and including A-C and ISD, to establish guidelines, procedures, and a monitoring process for the implementation of a delegated authority process with a \$10,000 ceiling and to determine the impacts of this increase;
- 13) Establish a work group, led by DCBA and comprised of representatives from County Counsel, DPW, A-C, and ISD to design and implement a two-year set aside pilot program with an effective target date for full implementation on July 1, 2016 and a means to evaluate the progress of the pilot program for evaluating future expansion potential;

- 14) Propose amendments to applicable sections of the County Code to carve out exceptions for the County to set aside limited procurements to Businesses;
- 15) Conduct a cost-benefit analysis of developing a software application, either internally or externally, that would allow County buyers and contract analysts to search by business type and commodity standards
- 16) Establish DCBA as the Small Business Advocate, to work with departments to propose utilization goals for County departments, serve as the center for communication, administration, and accountability of County programs for Businesses, serve as a resource for Businesses, and report to the CEO quarterly and the Board annually on utilization goal progress;
- 17) Continue using the County's existing e-procurement systems, eCAPS and COGNOS, to input and report on award data to Businesses.
- 18) Establish a Small Business Liaison from each department to assist in the general coordination of implementing the policies, programs, and procedures necessary to meet department utilization goals;
- 19) Propose amendments to applicable ordinances to remove the maximum dollar amount for cost preferences from the LSBE and DVBE ordinances;
- 20) Propose amendments to applicable ordinances to transfer the registration and certification duties for the DVBE and social enterprises programs to DCBA;
- 21) By June 30, 2017, evaluate the effectiveness of efforts to increase utilization of social enterprises and then consider a utilization goal; and
- 22) Use the proposed definition of social enterprises contained in CEO's August 13, 2015 report on the Feasibility of Establishing a Preference Program for Social Enterprises.

If you have any questions or need additional information, please contact me at (213) 974-9750 or via email at bstiger@dcba.lacounty.gov.

c: Auditor-Controller
Chief Executive Officer
Community and Senior Services
County Counsel
Internal Services
Military and Veterans Affairs

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Public Social Services
Public Works

1. Direct the Department of Consumer and Business Affairs in consultation with the Chief Executive Officer, County Counsel, Auditor-Controller, and the Directors of Internal Services, Public Works, Public Social Services, and Community and Senior Services, and Military and Veterans Affairs, as appropriate, to assess a variety of options that could lead to increased utilization of Businesses, and to report back in writing to your Board in 90 days with a report on this assessment.

OPTIONS TO INCREASE UTILIZATION OF BUSINESSES

A) Increasing the Number of “Bid Ready” Certified Small Businesses

Assessment and Findings

In order to assess how to increase the pool of bid ready certified small businesses, DCBA considered the mechanisms by which small businesses receive information about the County's business certification and the incentives offered by these programs.

Currently, DCBA engages small businesses by sponsoring and attending events, distributing informational brochures, and posting information on its website and social media accounts. DCBA also leverages its relationships with other agencies that work within the local small business community to maximize its marketing and advertising of the Local Small Business Enterprise (LSBE) certification program. For example, DCBA sponsors business events each year that typically attract over 150 small businesses. This turnout is achieved through advertising assistance from local chambers of commerce, the Los Angeles County Small Business Commission, and other business organizations. To strengthen these relationships, DCBA also participates in and presents at these partner organizations' events in order to distribute information about the County's LSBE program.

In order to inform the small business community of the incentives available to certified LSBEs, DCBA has implemented a marketing and outreach strategy. As part of that strategy, DCBA disseminates informational brochures at outreach events, makes presentations at partner agencies' events, and provides information on the department's website. This outreach assists businesses to understand the LSBE program's eligibility requirements and benefits. DCBA also provides detailed instructions on how to certify as an LSBE.

In order to attract businesses to certify as LSBEs, the County currently offers two major incentives to get certified: an 8% (eight percent) price preference that LSBEs receive when bidding on most County contracts; and a prompt pay program, which establishes a 15-day payment program for certified LSBEs.

In the past, the County has had success in increasing the number of LSBEs by directly contacting businesses on the State's list of certified Small Business Enterprises (SBE) that were not yet certified with the County.

In 2014, these efforts helped increase the County's number of certified LSBEs by 84% (eighty-four percent). Since only 25% of State SBEs are currently also certified with the County, the DCBA has an opportunity to again contact businesses on the State's SBE list and increase the County's total number of certified LSBEs.

Recommendations

In order to increase the number of certified small businesses, DCBA recommends:

- Develop a refreshed marketing plan, which will include a rebranding of the County's small business program;
- Implement the utilization programs as described in Option F, below, which would offer more incentives for local small businesses to certify with the County;
- Utilize County departments' Small Business Liaisons (described further in Option I) to assist in the coordination of annual outreach events wherein the departments send procurement staff, which may include buyers and contract analysts from the major purchasing and contracting departments, to meet face-to-face with small businesses; and
- Coordinate a quarterly "Vendor Information Day" to provide prospective vendors with short workshops and tutorials on: (a) conducting business with the County, (b) types of contracts and solicitation methods, (c) locating bid opportunities on the County's website, (d) entering effective business information that will result in the LSBE receiving appropriate bid notifications and opportunities from the County, and (e) educating businesses on how to locate bid requirements.

B) Implement an Independent County Small Business Certification and Explore Reciprocal Agreements with Other Public Agencies

Assessment and Findings

Currently, the County does not have its own independent small business certification. Instead, the County's LSBE certification relies on the State's Small Business Enterprise (SBE) certification. As such, the County is bound to the State's definition of "small business". Under this definition, a business generally qualifies for State certification when it has fewer than 100 employees and an annual average of gross receipts of \$14 million or less over the three years preceding its application.

The DCBA could coordinate a study of how well the State's definition of small business is aligned with the County's business composition and procurement needs. This study would inform the DCBA on whether an independent County certification is advisable, and what definition of small business the certification would use.

An independent certification could simplify the certification process for businesses that are seeking County contracts. Currently, the County's certification process largely resides with the State, which creates a two-step, two-agency process whereby businesses first must certify with the State and then certify with the County.

In order to facilitate an independent small business certification, the DCBA could work with the ISD to ensure the County's certification software supports the enhanced requirements associated with an independent certification.

While reciprocal agreements have some benefits to the County and to vendors, they may also present challenges. Different certifying agencies, as in the State example above, often use different definitions of small business and thus have different eligibility requirements. Those requirements are tailored for the respective agencies' procurement needs and goals. At Metro, for example, the definition of small business is aligned with the U.S. Small Business Administration's definition, which varies by industry and includes a ceiling of the business owner's personal net worth. Further, Metro has no requirement that the business be located in Los Angeles County. Metro uses this definition because of its relatively high percentage of federal funding, which restricts preferences based on geographical prerequisites. This definition may not align with County procurement needs and goals. Upon implementing an independent County certification, the DCBA will explore the feasibility of reciprocity arrangements.

Recommendations

To explore the creation of an independent Los Angeles County LSBE certification that will provide a definition of "small business" most relevant and applicable to County procurement, DCBA recommends:

- Authorize DCBA to contract with a consultant to study the State's definition of small business and its alignment to County procurement needs.

C) Establish a Tracking Mechanism for all Preference Programs Including Subcontract Awards

Assessment and Findings

The County currently tracks LSBE utilization in its e-procurement system, eCAPS, for all County departments. The eCAPS system is capable of labeling award and payment encumbrances with a "business type" designation, and COGNOS, the County's existing utilization reports platform that interfaces with eCAPS, produces new utilization reports.

The County can effectively track LSBE awards through an established certification process that is integrated with vendor certification software. The DCBA is working with ISD to develop these processes for Disabled Veteran Business Enterprises (DVBE) and social enterprises.

DCBA recognizes that tracking awards to Businesses that are subcontractors on County contracts is essential to evaluating the County's progress in meeting its utilization goals. Generally, the County does not regularly track subcontracting awards. However, the Department of Public Works (DPW) has recently used third-party software that allowed the department to monitor utilization of Businesses as subcontractors on three large capital projects. The major challenge in tracking subcontract awards to Businesses is effectively identifying which subcontractors are Businesses. Unless the County provides incentives for prime contractors to hire County certified subcontractors, subcontractors have little incentive to certify with the County.

Recommendations

In order to create an effective mechanism for tracking awards to Businesses, including contract dollars awarded through subcontracts, the DCBA recommends:

- For DCBA to work with ISD to develop certification processes that integrate with the County's vendor certification software for DVBES and social enterprises;
- Establish a work group, comprised of DCBA, ISD, and DPW to develop proposed policies and procedures for identifying Business status of subcontractors; and
- Conduct a two-year pilot program to capture subcontract dollars using third party software.

D) Establishing County-wide Purchasing and Contracting Goals

Assessment and Findings

To encourage increased County utilization of Businesses, your Board, in its July 7, 2015 motion, prescribed County-wide procurement goals of 25% and 3% for LSBES and DVBES, respectively. Your Board further requested that DCBA recommend a procurement goal for social enterprises; this request is addressed in the second deliverable of this report.

DCBA recognizes it will take the County some time to attain the Board prescribed utilization goals. As such, these goals would be a work in progress with involvement from most County departments. To achieve the goals, some departments may need to set higher goals, while other departments may have lower goals depending on what type(s) of contracts individual departments use. Given the County's size in both expenditure and number of departments, a utilization work group, comprised of the DCBA as the Small Business Advocate and representatives of applicable departments, including the major contracting departments, should be formed to develop a plan on how to achieve these goals by setting performance benchmarks, implementation goals, and milestones for Business programs, and addressing the alignment of department specific goals.

Additionally, it is important to note that implementing utilization goals or incentives for subcontracts within prime contracts could facilitate the County's attainment of its procurement goals. For example, the County could set goals for prime contractors to earmark a specified percentage of their subcontracts to Businesses. These goals would be set by County departments, in collaboration with guidelines promulgated by the County Small Business Advocate, on a contract-by-contract basis. As part of this policy, the County may also require that when responding to a Request for Proposal (RFP), prime contractors identify subcontractors that are Businesses and provide estimates of the dollar award amounts to be paid to these subcontractors. These subcontracting plans could be one component used to evaluate a prime contractor's overall proposal. These options to incentivize the utilization of subcontractors that are Businesses would be fully designed in a work group.

Finally, the County often procures goods and services with external funding sources that restrict the application of County preferences. For example, federally funded County projects and programs cannot apply the County's preference programs for their procurements because the federal funding restrictions do not permit geographically based preferences. In order to fully understand what percentage of the County's expenditure is applicable to the County's business programs, DCBA, in coordination with the Liaisons, could develop a process by which departments examine new contracts to exclude inapplicable procurements from the denominator used to calculate performance on procurement goals.

Recommendation

In order to increase utilization of Businesses by maximizing subcontracting opportunities to Businesses, DCBA recommends:

- Establish a work group led by DCBA as the County Small Business Advocate, and comprised of representatives from DPW, ISD and other applicable departments to determine the specifics of a four-year plan for the County to attain its utilization goals by the year 2020; and
- Establish a work group to develop a process by which future County contracts are evaluated for their applicability to programs for Businesses to determine the County's total available expenditure for these programs.

E) Increase Simplified Acquisition Ceilings

Assessment and Findings

In response to your Board's request to evaluate simplified acquisition ceilings, DCBA analyzed the County's policies on delegated authority.

These policies permit County departments to acquire goods and services more easily if the department is contracting with an LSBE. Currently, the County limits departments' utilization of this policy to \$5,000¹. While County policy allows this for LSBEs, DVBES and social enterprises are excluded. Increasing the \$5,000 limit on delegated authority and including DVBES and social enterprises may increase the utilization of Businesses because it could facilitate more procurement opportunities for Businesses. With an increase of delegated authority to \$10,000, the County could double its ceiling to provide more opportunities for departments to make awards directly to Businesses, without a competitive solicitation. For example, in fiscal year 2015 the County made 806 awards, totaling approximately \$5.8 million, to certified LSBEs between \$5,000 and \$10,000. In the same year, however, the County made 6,315 awards to non-LSBEs of amounts within the same range, totaling approximately \$45 million. An increased delegated authority ceiling would open up this larger portion of awards to certified LSBEs.

As noted in the Preference Program Evaluation Report (Evaluation Report) delivered to your Board on August 19, 2015, some County policies currently in effect would impede the County's ability to implement an increased delegated authority ceiling. First, nine County departments' delegated authority is limited to \$5,000, so those departments cannot conduct their own non-agreement solicitations above this amount. The ability of these departments to use delegated authority to more easily contract with Businesses would be limited to their delegated authority. Second, County Code section 2.81.960 requires a monthly report to the Board on all awards expected to exceed \$5,000 that are awarded to the lowest bidder or are awarded without being put out to a competitive bid. Thus, your Board could consider an exception to this requirement for contracts made to Businesses.

Recommendations

In order to increase the utilization of Businesses through an increase the delegated ceiling, DCBA recommends:

- Establish a work group led by DCBA and including Auditor-Controller (A-C) and ISD to propose a revision to County policies related to increasing the County's delegated authority ceiling to \$10,000 for eligible departments based on past compliance with procurement policies and procedures; and
- Establish a work group led by DCBA and including A-C and ISD, to establish guidelines, procedures, and a monitoring process for the implementation of a delegated authority process with a \$10,000 ceiling and to determine the impacts of this increase.

F) Reserving Certain Procurements for Local Small Businesses, Social Enterprises, and Disabled Veteran Businesses

¹ See section A-0300, Departmental Authority of the County's Purchasing Policy Manual

Assessment and Findings

The August 19, 2015, Evaluation Report included an analysis by County Counsel assessing the legality of a set aside program at the County. County Counsel concluded that a race and gender-neutral set aside program would be legal, with amendments to County Code. These amendments would provide an exception to the current “most responsive and responsible bidder who is either the lowest bid price or the highest scoring bidder requirement”. County Counsel also recommended assessing limitations by “State and/or federal regulations governing certain types of contracts or grant funded programs” that would make a set aside program inapplicable in these cases. County Counsel’s response contained within the Evaluation Report is included as Attachment II of this report.

In order to establish a set aside program, the County must first propose parameters for reserving specific procurements to Businesses, before amending the applicable policies and contract evaluations necessary to ensure legality. Given the County’s considerable variety in contract types and funding sources, a pilot set aside program could be designed and implemented for a limited scope of contracts. Upon successful implementation of the pilot, recommendations could be made for an expanded set aside program.

Set aside programs typically reserve a given procurement for a designated business type only when there are enough of those businesses that can perform on the contract. If the County implements a set aside program, County staff must be able to identify, out of over 60,000 vendors, how many Businesses of a given commodity or service class are eligible for a particular contract. While procurement staff can currently search the vendor database and identify vendors by commodity code, there is no way to sort these vendors by business type. As such, a software application would need to be in place that could search the County’s vendor database and sort by business type.

Recommendations

In order to initiate the steps necessary to create a pilot County set aside program, DCBA recommends:

- Establish a work group, led by DCBA and comprised of representatives from County Counsel, DPW, A-C, ISD and other applicable departments, to design a two-year set aside pilot program by July 1, 2016 with implementation of the program by January 1, 2017, including a means to evaluate the progress of the pilot program for evaluating future expansion potential;
- Propose amendments to applicable sections of the County Code to carve out exceptions for the County to set aside limited procurements to Businesses; and
- Conduct a cost-benefit analysis of developing a software application, either internally or externally, that would allow County buyers and contract analysts to search by business type and commodity standards

G) Establish and Authorize DCBA as the County Small Business Advocate to Collect Utilization Data, Report on Utilization Goal Progress to the CEO and Board, and Serve as a Resource to Businesses

Assessment and Findings

The successful implementation of the recommendations to increase the County utilization of Businesses as described in this report requires a structure of centralized communication, administration, and accountability. DCBA believes the County Small Business Advocate (Advocate) would best serve this function. The Advocate, in conjunction with the small business liaisons in departments, would serve as the foundation of the County's program for Businesses.

The role of the County Small Business Advocate would be to coordinate the effective implementation of the County's programs for Businesses. The Advocate would communicate policies internally and externally, compile utilization reports, assist departments in setting appropriate utilization goals, coordinate the development a process to review contracts, monitor program compliance, assist departments in meeting utilization goals, perform the outreach and messaging related to certification, and report to the CEO and to your Board on utilization goal progress. These reports will include data on utilization percentages by department, areas of success, and opportunities for improvement.

Recommendation

In order to centralize administration of the County's Enterprise programs, DCBA recommends:

- Establish DCBA as the Small Business Advocate, which will work with departments to propose utilization goals for County departments, serve as the center for communication, administration, and accountability of County programs for Businesses, serve as a resource for Businesses, and report to the CEO monthly and the Board annually on utilization goal progress.

H) Develop a Multi-functioned E-Procurement System for Data Input and Reporting

Assessment and Findings

Accurate reporting on the County's utilization of Businesses is essential to evaluate departments' performance and the effectiveness of incentives offered to Businesses. In order to gather and report on utilization data, the County requires a centralized e-procurement system to collect data and an application to compile this data into utilization reports.

The County currently utilizes eCAPS as its e-procurement system and COGNOS as its utilization reports platform. eCAPS tracks almost all County award encumbrances and already has the capability of tagging these encumbrances by business type, such as LSBE and DVBE. COGNOS interfaces with eCAPS to compile award encumbrance data and create utilization reports based on business type. Authorized users can access COGNOS for downloadable utilization reports, which are updated each morning.

Recommendation

In order to continue tracking awards to Businesses, DCBA recommends:

- Continue using the County's existing e-procurement systems, eCAPS and COGNOS, to input and report on award data to Businesses.

I) Establishing Advocates for Businesses and Elevating Their Responsibilities in the Major Purchasing and Contracting Departments In Order to Maximize Efficiency and Effectively Report Program Activity.

Assessment and Findings

To ensure an increase in the utilization of Businesses, each County department should designate a representative to serve as a Liaison². These Liaisons would disseminate updates and information related to policies and procedures for Enterprise programs, assist in the coordination of periodic evaluation of departmental contracts, and propose departmental Enterprise utilization goals to the Advocate.

Currently, most departments already designate small business liaisons to attend quarterly meetings hosted by DCBA. However, in its current form, this group has a relatively narrow scope of duties. Until recently, the sole purpose of the Liaisons was to report back on data relating to departmental utilization of LSBEs. This function, however, was rendered obsolete by the County's utilization reporting platform. DCBA is now developing a new format for these meetings in order to enhance the role of the Liaisons to serve as small business utilization custodians in their respective departments and to distribute updates and information on policies and procedures related to Enterprise programs.

In order to expand the role and effectiveness of these Liaisons, and with your Board's approval of the recommendations herein, DCBA could further augment their role to include other responsibilities.

DCBA, as the Small Business Advocate would collaborate with the current Liaisons on their roles, the execution of an analysis of County contracts' applicability preferences and programs for Businesses, the process of proposing department utilization goals, and departmental procedures to communicate with procurement staff in the department on program updates.

² To avoid confusion with the Advocate described in Option G, these representatives will be referred to as Liaisons.

In addition, the Liaisons would serve as the general point-person for communications with the Advocate. The Advocate will, in part, implement initiatives to increase Business utilization through the Liaisons. In order to do this, the Liaisons will convey information on programs, policies, and procedures to the department's procurement managers. Finally, the Liaisons can submit regular reports to the Advocate regarding the department's progress on the department's utilization goals.

Recommendation

In order to effectively communicate information about the programs for Businesses, DCBA recommends:

- Establish a Small Business Liaison from each department to assist in the general coordination of implementing the policies, programs, and procedures necessary to meet department utilization goals.

ADDITIONAL ASSESSMENT OPTION

J) Removing the Maximum Dollar Amounts on Cost Preferences

Assessment and Findings

The County currently offers an 8% price or scoring preference, up to a maximum of \$50,000, for bids and proposals submitted by Businesses during the solicitation process (except for the Transitional Job Opportunities Preference (TJOP), which has no maximum). The August 19, 2015, Evaluation Report examined the impact of increasing or removing maximum dollar amount on these preferences. This study resulted in the recommendation, at the discretion of your Board, to increase or remove the maximum dollar amount for this program. This recommendation was based on the finding that the cost to the County to increase the price preference for DVBES and social enterprises would be negligible, and that in the last three years, the LSBE price preference cost the County only \$208,834.

The removal of this cap can be accomplished with amendments to the ordinances governing Businesses.

Recommendation

- Propose amendments to applicable ordinances to remove the maximum dollar amount for cost preferences from the LSBE and DVBE ordinances.

K) Centralizing the LSBE, DVBE, and Social Enterprises Certification Functions

Assessment and Findings

Currently, the County's business certifications are not centralized operationally. Consequently, procedures involved in the execution of each preference program differ based on certification procedures.

DVBES, on the other hand, are not certified by any one department. Since there is no centralized registration of County DVBES, buyers and contract analysts must verify DVBE statuses on State and/or federal websites. Since there is no formalized County registration process, awards to DVBES are not accurately tracked and there is no database in the County that contains an accurate and complete list of awarded DVBES. Using the LSBE certification as a model, DCBA can centralize this function by registering County DVBES in a single database, which buyers and contract analysts could use to verify DVBE status. Similarly, the County lacks a centralized process to certify TJOPs, which with your Board's approval, will house the program for social enterprises.

Designating DCBA as the certifying department for all County business certifications, including DVBES and TJOPs, would simplify the County's certification functions. This would also standardize processes to create databases of Businesses, which buyers and contract analysts would use in verifying certification status.

Recommendations

In order to centralize the County's business certifications, DCBA recommends:

- Propose amendments to applicable ordinances to transfer the registration and certification duties for the DVBE and social enterprises programs to DCBA.

2. Direct the Department of Consumer and Business Affairs to assess and report back in writing to the Board in 90 days on the timeline and resources required for implementing a County-wide procurement goal of 25% for local small businesses and 3% for disabled veteran owned businesses with an effective target date of July 1, 2016 for full implementation.

The timeline and resources needed for implementing a County-wide procurement goal of 25% for LSBES and 3% for DVBES is included as Appendix A to this report.

3. Direct the Department of Consumer and Business Affairs to report back in writing to the Board in 90 days with a recommendation on adopting a County procurement goal for social enterprises.

Assessment and Findings

Currently, the County has no procurement goal to push forward the policies and programs designed to encourage social enterprises to conduct business with the County. To develop a recommendation for an appropriate utilization goal, DCBA analyzed past and potential future utilization of social enterprises.

In an August 13, 2015, CEO report to your Board on the Feasibility of Establishing a Preference Program for Social Enterprises (Feasibility Report), the creation of a social enterprises preference was deemed feasible and was recommended to reside in the County's existing TJOP ordinance. The August 19, 2015 Evaluation Report examined the past utilization of the TJOP program and found that since 2011, the TJOP program has been used nine times to win awards with an approximate award total of \$16.5 million. Staff's scan of TJOP eligible organizations found 19 organizations that meet the definition.

The potential utilization of social enterprises in County procurement is unknown. The County, for example, may have contracts that could be applicable to social enterprises. Until more details on the number and size of these contracts are known, DCBA cannot propose a utilization goal for social enterprises. However, over the next fiscal year, DCBA can monitor progress of increasing the utilization of social enterprises and reconsider the appropriateness of a utilization goal at that time.

Recommendation

Based on the unknown potential of social enterprise utilization in County procurement, DCBA recommends:

- By June 30, 2017, evaluate the effectiveness of the County's efforts to increase utilization of social enterprises and then consider a utilization goal.

4. Instruct the Interim Chief Executive Officer and the Director of Consumer and Business Affairs to include, in their reports back to the Board requested on May 12, 2015, and July 7, 2015, a proposal to establish a standardized and broad-based definition of non-profit and for-profit firms that can be defined as a "social enterprise."

In the August 13, 2015 Feasibility Report, County staff recommended leveraging the County's existing TJOP program by expanding the program's definition to include social enterprises. In a proposed amendment to the TJOP ordinance, the following definition is used for social enterprises:

"Social Enterprises" shall include non-profit and for-profit businesses whose primary purpose is the common good and which, "use the methods and disciplines of business and the power of the marketplace to advance their social, environmental and human justice agendas, wherein the organization that applies commercial strategies to maximize improvement in human and environmental well-being," which may "include maximizing social impact rather than profits for external shareholders" and has been certified as a social enterprise as provided in this chapter.

To be successfully certified as a social enterprise, the proposed amended ordinance requires the entity supply:

1. A profile of their program participants (e.g., homeless individuals, individuals with addictions, at-risk youth, etc.);
2. A description of the entity's program components designed to help program participants transition towards unsubsidized competitive employment, including a description of the supportive services offered to participants;
3. The number of participants in the program during the last calendar year; and
4. Any other information requested by the department.

DCBA concurs that this broad-based definition, and its inclusion in the TJOP ordinance, is appropriate.

APPENDIX A

Actions to Support LSBE, DVBE and Social Enterprises Utilization Implementation Plan and Suggested Implementation Timeline

November-December 2015

Actions to Support Implementation of Recommendation	Suggested Timeline for Implementation	Cost
Establish and partner with Small Business Liaisons to coordinate outreach events	Current and ongoing	N/A
Establish work groups to design and oversee the implementation of County Local Small Business Enterprises, Disabled Veteran Business Enterprises and Social Enterprises (“Businesses”) policies, programs, and procedures, to execute the recommendations in Options D, E and F and to develop 4-year plan to meet utilization goals	December 31, 2015	N/A
Begin work on amending pertinent ordinances	December 31, 2015	N/A
Develop registration and certification processes for DVBEs and social enterprises	December 31, 2015	N/A

January – February 2016

Actions to Support Implementation of Recommendation	Suggested Timeline for Implementation	Cost
Implement marketing plan, which will include a rebranding of the County’s small business program	January 1, 2016	N/A
Work with ISD to align vendor certification software with new certification processes	January 15, 2016	N/A
Release RFP for software to capture subcontracting awards	January 29, 2015	\$40,000 (estimated)
Develop and release RFP for consultant to study applicability of State small business definition	January 29, 2015	\$50,000 (estimated)
Host first “Vendor Information Day”	January 29, 2016	N/A

March – April 2016

Actions to Support Implementation of Recommendation	Suggested Timeline for Implementation	Cost
Commence utilization goal planning process with departments	March 1, 2016	N/A
Select vendor for software to capture subcontracting awards	April 29, 2016	N/A

May 2016

Actions to Support Implementation of Recommendation	Suggested Timeline for Implementation	Cost
Submit ordinance amendments to board with target effective date of July 1, 2016	May 31, 2016	N/A

June 2016

Actions to Support Implementation of Recommendation	Suggested Timeline for Implementation	Cost
Finalize work group deliverables, including 4-year plan to reach procurement goals and specific policies and procedures used for Options E, F, and D	June 30, 2016	N/A

July 2016

Actions to Support Implementation of Recommendation	Suggested Timeline for Implementation	Cost
Commence tracking of utilization of Businesses	July 1, 2016	N/A
Complete design of pilot set aside program	July 1, 2016	N/A

January 2017

Actions to Support Implementation of Recommendation	Suggested Timeline for Implementation	Cost
Commence two-year pilot set aside program	January 1, 2017	N/A

June 2017

Actions to Support Implementation of Recommendation	Suggested Timeline for Implementation	Cost
Evaluate the effectiveness of efforts to increase utilization of social enterprises and then consider a utilization goal	June 30, 2017	N/A